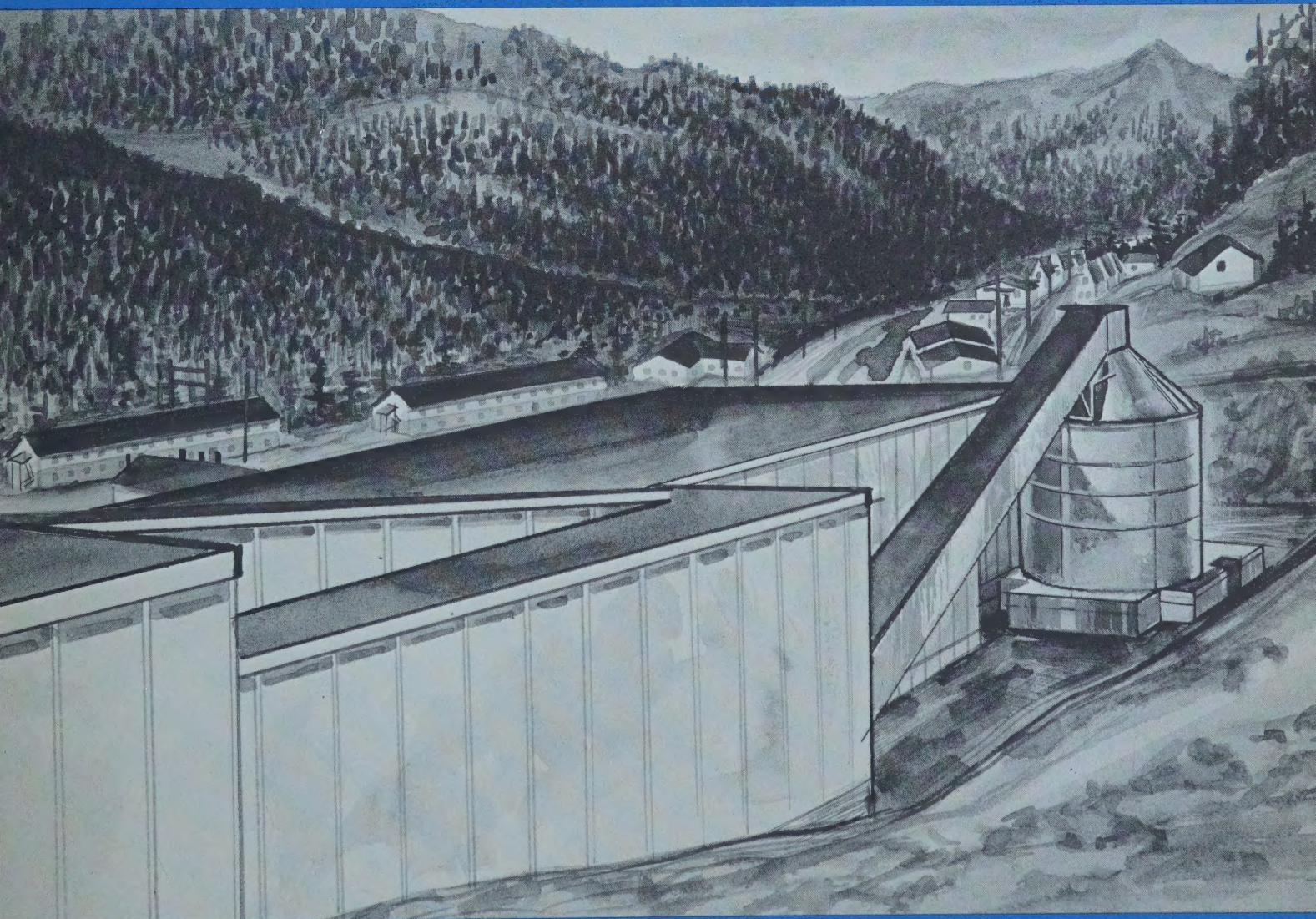


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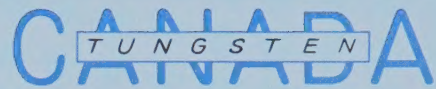
CANADA TUNGSTEN MINING CORPORATION LIMITED

file

annual report 1967



THE ANNUAL MEETING of the shareholders of Canada Tungsten Mining Corporation Limited will be held on Thursday, April 18, at 11:00 o'clock in the forenoon in the New Brunswick Room of the Royal York Hotel, Toronto, Ontario.



MINING CORPORATION LIMITED

Executive Office

101 Richmond Street West, Toronto, Ont.

Branch Office

80 Niobe Street, North Vancouver, B.C.

Officers

F. E. HALL, *President*

J. B. REDPATH, *Vice-President*

R. ELLERMAN, *General Manager*

D. R. McEWEN, *Secretary-Treasurer*

Directors

SENATOR JOHN B. AIRD, Toronto

J. M. RICHARD CORBET, Toronto

F. E. HALL, Toronto

D. R. McEWEN, Toronto

JAMES B. REDPATH, Toronto

H. A. SAWYER, JR., New York

J. M. WIGLEY, New York

*Transfer Agents
and Registrars*

CANADA PERMANENT TRUST COMPANY
1901 Yonge Street, Toronto, Ont.

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE
Toronto and Vancouver

Auditors

DELOITTE, PLENDER, HASKINS & SELLS
55 Yonge Street, Toronto, Ont.

Directors Report to the Shareholders

It is with pleasure that the Directors of your Company report the resumption of operations at the mine at Tungsten, Northwest Territories. Construction of the new mill was completed on schedule and costs were within the approved budget. Processing of ore commenced late in November and has been proceeding at a satisfactory level since that time.

During the past summer, while mill construction progressed, mining operations continued. When milling resumed late in November, there was an adequate stockpile of ore for continuous operation of the mill until the 1968 mining season.

The report of the General Manager provides detail on operations for the year 1967 and it should be noted here that your Directors are satisfied with the performance of the new facilities since start-up. Experience gained from the period of operating the previous mill was valuable in suggesting changes and innovations which were incorporated into the new mill.

Although the loss of a year's production was a matter of serious concern and inconvenience to our customers, shipments to contract customers have been resumed and management looks forward to re-establishing our position in the market. The Company's sales outlook remains favorable. Developments in the metals and carbides market — the major market served by Canada Tungsten production

— continues to suggest a steady demand for the high quality scheelite that your Company produces.

The United States leads the Western World as a user of tungsten, with carbides accounting for some 40-45% of that country's total tungsten consumption. The fastest growing markets are in cemented carbides, which find application in the cutting edges of tools used in the metalworking industry, particularly in turning and milling. Tungsten is now being used in the manufacture of critical wear parts for computers and copiers, and in the mining and earth moving industry for drilling bits and other cutting and wear and abrasion resistant applications.

Tungsten carbide tire studs have been approved by most highway departments for snow tire use during the winter months, and demand has been heavy, indicating this area will be an important growth market.

Other technological advances point to new uses for tungsten in the future. For example, metals capable of resisting higher temperatures are continually being developed and alloys containing tungsten are being used particularly in jet engines.

Because of the effort put forward to reconstruct the plant, exploration activities by the Company in 1967 were necessarily curtailed. A substantial budget for an initial two year period has been approved by your Directors for

the purpose of carrying out an exploration program in search of additional orebodies.

During the past winter a recalculation of ore reserves has been made, based on new information from diamond drilling last summer, and mining limits determined by the present plan to complete mining of the orebody by open pit methods. Although the tonnage of ore now scheduled to be mined has increased, the expected average grade has declined, resulting in a net decrease in contained tungsten of about 18%. The revised reserve in place is now estimated to contain 934,000 tons grading 1.71% WO_3 and 0.45% Cu. Depending upon economics and mining conditions at the time, it may be possible to mine additional ore now outside of the planned pit limits.

Due to the increase in bank interest rates, the financing group requested and were granted a revision to the interest rate on the \$1,000,000. demand notes to the prime bank interest rates at the time interest is paid.

For income tax purposes, the three-year tax exempt period will expire on May 31, 1968. The fire occurred during the three-year tax exempt period and the Minister of National Revenue has advised the Company that it is his intention to recommend that a remission of taxes be granted which would have the effect of enabling the Company to obtain tax relief equivalent to that it would have obtained if there had not been a fire.

As stated in the interim report to shareholders dated August 17, 1967, an appeal was

taken by your Company when the Supreme Court of Ontario rejected an application by the Company for permission to omit disclosure of gross sales revenue figures from its interim and annual financial statements. The position taken by your Company was that if forced to disclose this information under The Corporations Act, Ontario, international competitors of Canada Tungsten Mining Corporation Limited would gain most useful information which would prove to be a competitive disadvantage to your Company. On November 6, 1967, the Court of Appeal for Ontario allowed the appeal and ordered that the Company be permitted to omit its sales or gross operating revenue from the comparative interim financial statements for the six months ended June 30, 1967 and the statement of profit and loss for the fiscal year ending December 31, 1967.

Your Directors acknowledge the dedicated contribution of your General Manager, Mr. R. Ellerman, and the staff to the successful mill reconstruction and the resumption of operations.

On behalf of the Board,

F. E. HALL,
President.

Toronto, Ontario
March 13th, 1968

MINING CORPORATION LIMITED

(Incorporated under The Corporations Act, Ontario)

BALANCE SHEET

(with 1966 figures)

ASSETS

CURRENT:	1967	1966
Cash	\$ 105,050	\$ —
Accounts receivable	35,435	1,695,758
Fire insurance claim	—	1,000,000
Inventory of concentrates — valued at the lower of cost or net realizable value	193,123	582,726
Inventory of ore in stockpile — at cost	589,397	366,979
Prepaid expenses	70,608	34,194
Total current assets	<u>993,613</u>	<u>3,679,657</u>
FIXED:		
Buildings, plant and equipment — at cost	5,758,994	2,374,325
Less accumulated depreciation (Note 1)	852,944	494,484
	<u>4,906,050</u>	<u>1,879,841</u>
Mining property — at cost	125,000	125,000
Net fixed assets	<u>5,031,050</u>	<u>2,004,841</u>
OTHER:		
Inventory of supplies — at cost	276,956	229,437
Development and preproduction expenses — at cost less amounts written off (Note 1)	3,113,042	3,211,529
Unamortized debenture discount	412,000	515,000
Deferred charges	6,482	49,949
Incorporation expense	2,835	2,835
Total other assets	<u>3,811,315</u>	<u>4,008,750</u>
TOTAL	<u>\$9,835,978</u>	<u>\$9,693,248</u>

The accompanying notes are an integral part of the financial statements.

December 31, 1967

or comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT:	1967	1966
Bank indebtedness	\$ —	\$ 563,075
Accounts payable and accrued charges	263,251	434,409
6% demand notes payable and accrued interest	1,065,096	1,005,096
Total current liabilities	<u>1,328,347</u>	<u>2,002,580</u>
LONG-TERM DEBT (Note 2):		
6% income debentures maturing December 31, 1971	2,680,000	2,680,000
Debenture interest accrued	964,800	804,000
Total long-term debt	<u>3,644,800</u>	<u>3,484,000</u>
SHAREHOLDERS' EQUITY:		
Capital stock:		
Authorized:		
5,000,000 shares of a par value of \$1 each		
Issued and fully paid (Note 3):		
4,990,000 shares	4,990,000	4,970,000
Less discount	<u>1,372,851</u>	<u>1,369,151</u>
	3,617,149	3,600,849
Retained earnings	<u>1,245,682</u>	<u>605,819</u>
Total shareholders' equity	<u>4,862,831</u>	<u>4,206,668</u>
Approved by the Board:		
F. E. HALL, Director.		
J. B. REDPATH, Director.		
TOTAL	<u><u>\$9,835,978</u></u>	<u><u>\$9,693,248</u></u>

AUDITORS' REPORT

To the Shareholders of
Canada Tungsten Mining Corporation Limited:

We have examined the balance sheet of Canada Tungsten Mining Corporation Limited as at December 31, 1967 and the statements of income and retained earnings and of source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
February 21, 1968.

DELOITTE, PLENDER, HASKINS & SELLS,
Chartered Accountants.

STATEMENT OF INCOME AND RETAINED EARNINGS

For the Year Ended December 31, 1967

(with 1966 figures for comparison)

	1967	1966
INCOME FROM OPERATIONS BEFORE THE UNDERNOTED (Note 4)	\$ 427,077	\$2,210,213
ADD:		
Proceeds of business interruption insurance (Note 5) ..	1,030,000	—
Interest on short-term investments	54,284	—
	<u>1,511,361</u>	<u>2,210,213</u>
DEDUCT:		
Interest on bank loan and notes payable	62,926	104,251
Debenture interest	160,800	160,800
	<u>223,726</u>	<u>265,051</u>
NET INCOME BEFORE WRITE-OFFS	<u>1,287,635</u>	<u>1,945,162</u>
LESS:		
Depreciation (Note 1)	362,899	516,525
Loss on sale of fixed assets	4,437	59,905
Amortization of debenture discount	103,000	103,000
Amortization of development and preproduction expenses (Note 1)	98,488	438,442
Exploration expenses	78,948	—
	<u>647,772</u>	<u>1,117,872</u>
NET INCOME FOR THE YEAR (Note 6)	639,863	827,290
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF THE YEAR	605,819	(22,095)
	<u>1,245,682</u>	<u>805,195</u>
DEDUCT:		
Fire loss	—	199,376
RETAINED EARNINGS AT END OF THE YEAR	<u>\$ 1,245,682</u>	<u>\$ 605,819</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1967

(with 1966 figures for comparison)

	1967	1966
SOURCE OF FUNDS:		
Net income for the year before write-offs	\$ 1,287,635	\$1,945,162
Debenture interest accrued but unpaid	160,800	160,800
Funds provided from operations	1,448,435	2,105,962
Sale of fixed assets	1,267	15,856
Insurance proceeds on fixed assets destroyed by fire ..	—	966,523
Sale of capital stock	16,300	21,350
Decrease in inventory of supplies	—	9,823
Decrease in deferred charges	43,467	—
Total source of funds	<u>1,509,469</u>	<u>3,119,514</u>
APPLICATION OF FUNDS:		
Additions to fixed assets	3,394,813	798,731
Increase in deferred charges	—	29,409
Increase in inventory of supplies	47,519	—
Exploration expenses	78,948	—
Total application of funds	<u>3,521,280</u>	<u>828,140</u>
INCREASE (DECREASE) IN WORKING CAPITAL	<u>\$(2,011,811)</u>	<u>\$2,291,374</u>

The accompanying notes are an integral part of the financial statements.

**NOTES TO THE FINANCIAL
STATEMENTS**

December 31, 1967

1. It is the company's practice to provide for depreciation of buildings, plant and equipment at 15% per annum on a straight-line basis. No depreciation was recorded in 1967 with respect to the reconstructed facilities since operations did not recommence until December 1967.

Development and preproduction expenses are being amortized over the estimated life of the mine on the basis of units sold.

2. The 6% income debentures, maturing December 31, 1971, are payable before maturity out of profits as provided in the debentures. Interest thereon is payable only out of profits as defined in the debentures. The holders of the debentures have agreed to defer interest and principal otherwise payable in 1968.

As long as any of the 6% income debentures are outstanding there are certain restrictions against the payment of dividends.

3. During the year, options to purchase 20,000 shares of the company were exercised by officers of the company for a cash consideration of \$16,300.
4. Pursuant to Section 84 of The Corporations Act, Ontario, the company obtained an order from the Supreme Court of Ontario permitting it to omit disclosure of sales in the statement of income for the year ended December 31, 1967.

5. During the year the company received \$2,057,900 from insurance claims resulting from the fire which destroyed the concentrator and crushing plant on December 26, 1966. The insurance claims consist of the following:

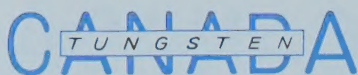
Direct damage fire insurance:

Fixed assets destroyed	\$ 966,523
Recovery of costs	61,377
	<hr/>
	1,027,900
Business interruption insurance	1,030,000
	<hr/>
	<u>\$2,057,900</u>

At December 31, 1966 an account receivable of \$1,000,000, in respect of the direct damage fire insurance claims, was recorded in the accounts of the company.

The business interruption insurance covers loss of income for 1967 and accordingly is included in the income statement of the company for the year ended December 31, 1967.

6. For income tax purposes, the three-year tax-exempt period will expire on May 31, 1968. The fire occurred during the three-year tax-exempt period and the Minister of National Revenue has advised the company that it is his intention to recommend that a remission of taxes be granted which would have the effect of enabling the company to obtain tax relief equivalent to that it would have obtained if there had not been a fire.
7. Remuneration of directors and senior officers, as defined by The Corporations Act, Ontario, amounted to \$83,000 for the year ended December 31, 1967.



MINING CORPORATION LIMITED

Report of the General Manager

The President and Directors
Canada Tungsten Mining Corporation
Limited

Dear Sirs,

The following is a report summarizing the operations of the Company for the year 1967.

The year was marked by the accelerated reconstruction of the concentrator and crushing facilities which were destroyed by fire on December 26, 1966.

CONCENTRATOR RECONSTRUCTION

Within a week of the fire, preliminary engineering and design was begun for the preparation of a report and cost estimates for presentation to the President and Directors. With the approval of the budget, all phases of the project were accelerated.

The first concrete was poured on May 8 and by mid-November, equipment was being test run. In late November the first ore was introduced into the circuits. Results for January 1968 were close to design estimates, both for recovery and capacity.

Reconstruction was completed from design to operation within a period of ten months at a total expenditure within the approved budget. In view of location and short work season, this was an excellent achievement and much of the credit should be given to our Resident Manager and his staff.

CONCENTRATOR OPERATION

During December, the only full month of operation for the year, the concentrator treated 7,778 tons of ore having an average grade of 2.36% WO_3 and 0.40% copper. Both gravity and flotation scheelite concentrates and copper concentrates were produced, all being of high quality and within market specifications for purity.

MINING

The mining season extended from June 1 to October 7. During this period 43,800

tons of ore were mined and placed in stockpile. This amount will be sufficient, together with the stockpile remaining from 1966 to insure mill feed into the 1968 mining season. In addition 148,000 tons of waste were removed.

ORE RESERVES

Original plans which determined previous ore reserves called for the extraction of the orebody by combined open pit and underground mining methods. Reserves have now been recalculated, using only open pit methods of extraction. Under these circumstances the ore reserves in place as at December 31, 1967, stood at 934,000 tons having an average grade of 1.71% WO_3 and 0.45% Cu.

PERSONNEL

Most of the Company's senior staff were retained during the year to administer reconstruction and other operations. Concentrator operating personnel were mainly recruited from previous employees. Quality of seasonal mining personnel was excellent, made possible by the introduction of a bonus system to production workers, such as shovel operators and drillers.

VANCOUVER OPERATIONS

The North Vancouver Leach Plant of the Company operated only during the first three months of the year for processing scheelite flotation concentrate inventory. It is anticipated the facility will reopen early in 1968.

I wish to express my appreciation to Mr. E. Hoddinott, Resident Manager, his staff and personnel for their services during this most difficult year.

Yours very truly,

R. ELLERMAN,
General Manager.

North Vancouver, B.C.
February 26, 1968



